

**STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE
45 Fremont Street, 21st Floor
San Francisco, California 94105**

REG-2007-00056

January 22, 2008

**NOTICE OF PROPOSED ACTION AND NOTICE OF PUBLIC HEARING
REGARDING LOW COST AUTOMOBILE INSURANCE RATES**

**Rates for Liability, Uninsured Motorists and Medical Payment Coverages for
Alpine, Amador, Butte, Calaveras, Colusa, Del Norte, El Dorado, Glenn,
Humboldt, Inyo, Kings, Lake, Lassen, Madera, Marin, Mariposa, Mendocino,
Modoc, Mono, Napa, Nevada, Placer, Plumas, San Benito, San Luis Obispo,
Santa Cruz, Shasta, Sierra, Siskiyou, Solano, Sutter, Tehama, Trinity,
Tuolumne, Yolo, and Yuba Counties**

SUBJECT OF HEARING

California Insurance Commissioner Steve Poizner will hold a public hearing to consider current rates for certain counties in the California Low Cost Automobile Insurance program that have been established in the last two phases of expansion by prior emergency regulations.

Legislation involving the California Low Cost Automobile Insurance program, Stats. 2005, chapter 435 (SB 20, Escutia), was approved by the Governor on September 30, 2005. The legislation extended the program, then currently in Los Angeles county and the City and County of San Francisco, to Alameda, Fresno, Orange, Riverside, San Bernardino and San Diego counties, commencing on April 1, 2006. The bill further authorized expansion of the program to all counties in California at the discretion of the Commissioner, subject to specified procedures. The legislation does not specify a rate, but authorizes the Commissioner to adopt regulations establishing a rate, in consultation with the California Automobile Assigned Risk Plan (CAARP), as emergency regulations. Previous legislation mandated the availability of optional uninsured motorists and medical payments coverages to policyholders at additional premiums.

Following such procedures, the Commissioner expanded the program to Contra Costa, Imperial, Kern, Sacramento, San Joaquin, San Mateo, Santa Clara, and Stanislaus counties, effective June 1, 2006. In consultation with CAARP, the Commissioner established rates for the enumerated counties and additional expansion counties on an emergency basis. Subsequently, a Certificate of Compliance for these prior emergency regulatory actions was approved on December 27, 2006. The Commissioner further expanded the program, in consultation with CAARP, on an emergency basis to Merced,

Monterey, Santa Barbara, Sonoma, Tulare, and Ventura counties, effective March 30, 2007. Subsequently, after public hearing, rates for these expansion counties were approved in regulatory action, effective October 10, 2007.

In accordance with statutory procedures, the Commissioner determined the need for the program in the twenty (20) additional counties of Amador, Butte, Calaveras, El Dorado, Humboldt, Kings, Lake, Madera, Marin, Mendocino, Napa, Placer, San Benito, Santa Cruz, Shasta, Solano, Sutter, Tuolumne, Yolo, and Yuba. The Commissioner's determination of need is based on a consideration of the number or percentage of uninsured motorists within each county, the number or percentage of low income population in each county, the availability of affordable insurance options in the voluntary market, and affirmation of the need and desirability of the program expressed by consumers at public meetings in each county.

To expedite the program's expansion to the twenty additional counties, on July 19, 2007, CAARP's Advisory Committee proposed to the Commissioner rates for the liability policy and optional coverages. Upon review, the Commissioner determined that the rates proposed by CAARP were adequate and consistent with statutory rate-setting standards and proposed those rates for adoption on an emergency basis, which were approved, effective October 1, 2007. The prior emergency regulation file, ER-2007-00003, is hereby incorporated by reference and is available for public review.

In addition, following statutory procedures, the Commissioner determined the need for the program in the sixteen (16) remaining counties of Alpine, Colusa, Del Norte, Glenn, Inyo, Lassen, Mariposa, Modoc, Mono, Nevada, Plumas, San Luis Obispo, Sierra, Siskiyou, Tehama, and Trinity. To expedite the program's expansion to the final sixteen counties, CAARP proposed rates on October 26, 2007. Upon review, the Commissioner determined that the rates were consistent with statutory rate-setting standards and proposed those rates for adoption on an emergency basis, which were approved effective December 10, 2007. The prior emergency regulation file, ER-2007-00004, is hereby incorporated by reference, and available for public review.

As approved by emergency regulations, the annual premiums for the 36 counties, by county, are \$311 for Alpine, \$280 for Amador, \$253 for Butte, \$275 for Calaveras, \$284 for Colusa, \$285 for Del Norte, \$285 for El Dorado, \$288 for Glenn, \$263 for Humboldt, \$271 for Inyo, \$273 for Kings, \$268 for Lake, \$286 for Lassen, \$253 for Madera, \$297 for Marin, \$279 for Mariposa, \$260 for Mendocino, \$292 for Modoc, \$286 for Mono, \$277 for Napa, \$263 for Nevada, \$314 for Placer, \$276 for Plumas, \$274 for San Benito, \$226 for San Luis Obispo, \$252 for Santa Cruz, \$260 for Shasta, \$297 for Sierra, \$259 for Siskiyou, \$304 for Solano, \$291 for Sutter, \$280 for Tehama, \$288 for Trinity, \$279 for Tuolumne, \$286 for Yolo, and \$286 for Yuba. A 25 percent surcharge is added to the base rate for unmarried male drivers ages 19 through 24 years of age.

Annual premiums for optional uninsured motorists coverage for the 36 counties, by county, are currently \$41 for Alpine, \$39 for Amador, \$33 for Butte, \$38 for Calaveras, \$38 for Colusa, \$39 for Del Norte, \$36 for El Dorado, \$38 for Glenn, \$35 for Humboldt,

\$38 for Inyo, \$36 for Kings, \$37 for Lake, \$39 for Lassen, \$42 for Madera, \$36 for Marin, \$39 for Mariposa, \$36 for Mendocino, \$40 for Modoc, \$40 for Mono, \$35 for Napa, \$36 for Nevada, \$35 for Placer, \$39 for Plumas, \$37 for San Benito, \$33 for San Luis Obispo, \$32 for Santa Cruz, \$35 for Shasta, \$41 for Sierra, \$38 for Siskiyou, \$32 for Solano, \$36 for Sutter, \$37 for Tehama, \$39 for Trinity, \$37 for Tuolumne, \$36 for Yolo, and \$41 for Yuba.

For optional medical payments coverage, by county, premiums are currently \$28 for Alpine, \$28 for Amador, \$28 for Butte, \$25 for Calaveras, \$28 for Colusa, \$27 for Del Norte, \$25 for El Dorado, \$26 for Glenn, \$25 for Humboldt, \$27 for Inyo, \$26 for Kings, \$27 for Lake, \$26 for Lassen, \$34 for Madera, \$26 for Marin, \$26 for Mariposa, \$27 for Mendocino, \$27 for Modoc, \$27 for Mono, \$27 for Napa, \$25 for Nevada, \$26 for Placer, \$26 for Plumas, \$25 for San Benito, \$23 for San Luis Obispo, \$25 for Santa Cruz, \$27 for Shasta, \$27 for Sierra, \$25 for Siskiyou, \$28 for Solano, \$27 for Sutter, \$28 for Tehama, \$27 for Trinity, \$26 for Tuolumne, \$26 for Yolo, and \$30 for Yuba.

The Commissioner will consider the current rates and invites other comments from the public. Premium rates are specified in the program's Plan of Operations, approved by the Commissioner. California Code of Regulations, Title 10, Chapter 5, Section 2498.6 references this plan.

AUTHORITY TO ADOPT RATES AND REFERENCE

Authority for the proposed rates are vested in the Insurance Commissioner pursuant to California Insurance Code Sections 11620, 11624, 11629.7, 11629.72, and 11629.79. Premium rates are referenced in Section 27 and Exhibit E of the Program's Plan of Operations. The proposed regulation implements, interprets, and makes specific Insurance Code sections 11629.7, 11629.72, and 11629.79, as amended by 2002 Stats., chapter 742, 2005 Stats., chapter 435, and subsequent decisions of the Commissioner. Government Code Section 11343(a) applies to this proceeding.

HEARING DATE AND LOCATION

Notice is hereby given that a public hearing will be held to permit all interested persons the opportunity to present statements or arguments, orally or in writing, with respect to the proposed rates at the following date, time, and place:

Date and Time: **April 9, 2008**
 10:00 a.m.

Location: **45 Fremont Street**
 22nd Floor Hearing Room
 San Francisco, California 94105

ACCESS TO HEARING ROOM

The facilities to be used for the public hearing are accessible to persons with mobility impairments. Persons with sight or hearing impairments are requested to notify the contact person (listed below) for this hearing in order to make special arrangements, if necessary.

WRITTEN AND/OR ORAL COMMENTS: AGENCY CONTACT PERSON

All persons are invited to submit written comments to the Insurance Commissioner on the proposed rates prior to the public comment deadline. Comments should be addressed to the contact person for this proceeding:

Bryant Henley, Senior Staff Counsel
California Department of Insurance
Legal Division
45 Fremont Street, 21st Floor
San Francisco, CA 94105
henleyb@insurance.ca.gov
Telephone: (415) 538-4111
Facsimile: (415) 904-5490

The backup agency contact person for this proceeding will be:

Elizabeth Mohr, Assistant Chief Counsel
California Department of Insurance
Rate Enforcement Bureau
45 Fremont Street, 21st Floor
San Francisco, CA 94105
mohre@insurance.ca.gov
Telephone: (415) 538-4112
Facsimile: (415) 904-5490

All persons are invited to present oral and/or written testimony at the scheduled public hearing.

DEADLINE FOR WRITTEN COMMENTS

All written materials, unless submitted at the hearing, must be **received** by the Insurance Commissioner at the address listed above **no later than 5:00 p.m. on April 9, 2008**. Any written materials received after that time will not be considered. Written comments may also be submitted to the contact person by e-mail and facsimile transmission. Written comments shall be submitted by one method only.

ADVOCACY OR WITNESS FEES

Persons or groups representing the interest of consumers may be entitled to reasonable advocacy fees, witness fees, and other reasonable expenses, in accordance with the provisions of California Code of Regulations, Title 10, Sections 2662.1-2662.6 in connection with their participation in this matter. Interested persons must submit a

Petition to Participate, as specified in California Code of Regulations, Title 10, Section 2661.4. The Petition to Participate must be submitted to the Commissioner at the Office of the Public Advisor at the following address:

California Department of Insurance
Office of the Public Advisor
300 Capitol Mall, Suite 1700
Sacramento, CA 95814
Telephone: (916) 492-3500

A copy of the Petition to Participate must also be submitted to the contact person for this hearing (listed above). For further information, please contact the Office of the Public Advisor.

INFORMATIVE DIGEST/POLICY STATEMENT OVERVIEW

California Insurance Code Sections 11629.7 through 11629.85 set forth, within the California Automobile Assigned Risk Plan, established under Section 11620 of the Insurance Code, a statewide low-cost automobile insurance program.

Recent legislation, Stats. 2005, chapter 435 (SB 20, Escutia), authorized expansion of the program from the initial counties of Los Angeles and the city and county of San Francisco to all counties in California, subject to specified procedures, mandating commencement of operations in Alameda, Fresno, Orange, Riverside, San Bernardino and San Diego counties, effective April 1, 2006. Previous legislation mandated the availability of optional coverages of uninsured motorists and medical payments to policyholders at additional premium. Statutes 2005, chapter 435 did not specify a rate, but authorized the Commissioner to adopt regulations establishing rates to implement expansion of the program to these counties, in consultation with CAARP, as emergency regulations.

To implement expansion of the mandated counties, the Commissioner established rates, in consultation with CAARP, by emergency regulatory action, as authorized by Insurance Code section 11629.79. Following specified statutory procedures, the Commissioner further expanded the program to the counties of Contra Costa, Imperial, Kern, Sacramento, San Joaquin, San Mateo, Santa Clara, and Stanislaus, establishing rates by emergency regulations, effective June 1, 2006. Subsequently, a Certificate of Compliance for these prior regulatory actions implementing expansion of the program to the mandated counties and the counties designated by the Commissioner was approved on December 27, 2006.

Following specified statutory procedures, the Commissioner further expanded the program, in consultation with CAARP, on an emergency basis to the counties of Merced, Monterey, Santa Barbara, Sonoma, Tulare, and Ventura counties, effective March 30, 2007. Subsequently, after public hearing, rates for these expansion counties were approved in regulatory action, effective October 10, 2007.

Seeking to further expand the program, following specified statutory procedures, the Commissioner made an initial determination of need for the program in twenty (20) additional counties: Amador, Butte, Calaveras, El Dorado, Humboldt, Kings, Lake, Madera, Marin, Mendocino, Napa, Placer, San Benito, Santa Cruz, Shasta, Solano, Sutter, Tuolumne, Yolo, and Yuba. Subsequently, the Commissioner held public forums in each of these counties to discuss the need and desirability for such a program. Based on a consideration of specified factors, the Commissioner made a final determination of need for the program in each of the twenty counties, as required by statute.

To expedite the program's operation in these additional counties, the Commissioner sought and received the advice of CAARP. On July 19, 2007, CAARP's Advisory Committee proposed to the Commissioner rates for the liability policy and additional coverages. After review, the Commissioner adopted CAARP's proposed rates in emergency regulations, as authorized by Insurance Code Section 11629.79, which were approved, effective October 1, 2007. The Department's File No. ER-2007-00003 / OAL File No. 07-0906-02 E is herein incorporated by reference.

On August 27, 2007, the Commissioner made an initial determination of need for the program in the remaining sixteen (16) counties of: Alpine, Colusa, Del Norte, Glenn, Inyo, Lassen, Mariposa, Modoc, Mono, Nevada, Plumas, San Luis Obispo, Sierra, Siskiyou, Tehama, and Trinity. Subsequently, the Commissioner held public forums in each of these counties in accordance with specified procedures. To implement the expansion to these 16 counties, the Commissioner sought and received a rate proposal from CAARP. After review, the Commissioner adopted CAARP's proposed rates in emergency regulations which were approved, effective December 10, 2007. The Department's File No. ER-2007-00004 / OAL File No. 2007-1107-01 EFP is herein incorporated by reference.

Because the program is established and administered through CAARP, CAARP procedures are applied where appropriate and not inconsistent with the low cost automobile insurance statutes. Insurance Code Sections 11620 and 11624 require the Commissioner to hold a public hearing before amending assigned risk plan rates.

Section 11629.7 of the Insurance Code requires that, after a public hearing, the Commissioner shall approve or issue a reasonable plan for the equitable apportionment, among insurers, of eligible consumers. The plan also contains rules and rates. This plan, approved by the Commissioner, is referenced in Title 10, Section 2498.6 of the California Code of Regulations.

Under the program, the low-cost auto policy satisfies financial responsibility laws and provides coverage of \$10,000 for liability for bodily injury or death to one person, subject to a cumulative limit of \$20,000 for all persons in one accident, and \$3,000 for liability for damage to property. In addition to eligibility and other requirements, the statute sets forth the annual premium rates. In certain cases, surcharges are added to the base rate. The statute also provides procedures for adjusting the rates.

Accordingly, the Commissioner is holding a public hearing to consider the rates for the above enumerated counties that were established in prior emergency regulatory actions.

COMPARABLE FEDERAL LAW

There are no comparable existing federal regulations or statutes.

LOCAL MANDATE DETERMINATION

The Insurance Commissioner has initially determined that the proposal will not result in any new program mandates on local agencies or school districts.

COST OR SAVINGS TO STATE OR LOCAL AGENCIES / SCHOOL DISTRICTS / FEDERAL FUNDING

The Insurance Commissioner has initially determined that the proposal will not result in any cost or significant savings to any state agency or to any local agency or school district for which Part 7 (commencing with Section 17500) of Division 4 of the Government Code would require reimbursement, or in other nondiscretionary costs or savings to local agencies. Nor will the proposal affect federal funding to the state.

SIGNIFICANT STATEWIDE ADVERSE ECONOMIC IMPACT ON BUSINESSES AND THE ABILITY OF CALIFORNIA BUSINESSES TO COMPETE

Because the proposal involves rates for private passenger automobiles, the Insurance Commissioner has initially determined that the proposal will not have a significant statewide adverse economic impact directly affecting businesses, including the ability of California businesses to compete with businesses in other states. This proposal will have no effect on the creation or elimination of jobs in California, the creation of new businesses, the elimination of existing businesses in California, or the expansion of businesses in California.

COST IMPACT ON PRIVATE PERSONS OR ENTITIES

The Insurance Commissioner has initially determined that the proposal will not impact businesses, but will have a potential cost impact on private persons directly affected.

IMPACT ON HOUSING COSTS

The Insurance Commissioner has initially determined that the proposal will not affect housing costs.

EFFECT ON SMALL BUSINESSES

The Insurance Commissioner has initially determined that the proposal will have minimal, if any, effect on small businesses and invites comments.

SPECIFIC TECHNOLOGIES OR EQUIPMENT

The proposal would not mandate the use of specific technologies or equipment.

ALTERNATIVES

The Insurance Commissioner must determine that no reasonable alternative considered by the agency, or that has otherwise been identified and brought to the attention of the agency, would be more effective in carrying out the purpose for which the action is proposed or would be as effective as and less burdensome to affected private persons than the proposed action.

The agency invites interested persons to present statements or arguments with respect to the proposed rate, or other alternatives, at the scheduled hearing or during the written comment period.

PLAIN ENGLISH

The text describing the proposal is in plain English.

TEXT AND INITIAL STATEMENT OF REASONS

The Department has prepared an Initial Statement of Reasons addressing the rate proposal, in addition to the Informative Digest included in this notice. The Initial Statement of Reasons, the text of regulations, and all the information upon which this proposal is based are available for inspection or copying, and will be provided at no charge upon request to a contact person listed above.

QUESTIONS REGARDING REGULATIONS / ACCESS TO RULEMAKING FILE

Any interested person may inspect a copy of the proposed rulemaking file. **By prior appointment**, the rulemaking file is available for inspection at the public viewing rooms at 45 Fremont Street, 22nd Floor, San Francisco, California 94105 by calling 415/538-4300, and at the Ronald Reagan State Building, 300 South Spring Street, Los Angeles, CA 90013 by calling 213/346-6707 between the hours of 9:00 a.m. and 4:30 p.m. Monday through Friday. Interested persons may direct questions about the proposed action, the statement of reasons, and any supplemental information contained in the rulemaking file by contacting the contact person listed above. **By prior appointment**, the rulemaking file is available for inspection at 45 Fremont, 21st Floor, San Francisco, California 94105 between the hours of 9:00 a.m. and 4:30 p.m. Monday through Friday.

AVAILABILITY OF MODIFIED TEXT OF REGULATION

In response to public comment, the Commissioner may determine that changes to the proposal are appropriate. If those changes are sufficiently related to the original text that the public had adequate notice of the proposal, as amended, copies of the amended text will be sent to all persons who testified or presented comments at the public hearing or submitted written comments during the comment period, and to anyone who requested information regarding the proposal. Thereafter, the Commissioner will accept written comments, arguments, evidence and testimony, concerning the changes only, for a period of at least 15 days prior to adoption.

FINAL STATEMENT OF REASONS

Once prepared, the Final Statement of Reasons will be made available through the contact persons listed above.

AUTOMATIC MAILING

A copy of this Notice, including the Informative Digest, is being sent to all persons on the Insurance Commissioner's mailing list.

AVAILABILITY OF DOCUMENTS ON THE INTERNET

The Initial Statement of Reasons, this Notice of Proposed Action, and the text of regulations will be published online and may be accessed through the Department's website at www.insurance.ca.gov.

STEVE POIZNER
Insurance Commissioner

Dated: January 22, 2008

By: _____
Bryant Henley
Senior Staff Counsel